

1 BEFORE THE
2 ILLINOIS COMMERCE COMMISSION
3 IN THE MATTER OF:)
4 PRESENTATION BY SBC ILLINOIS)
5 REGARDING RECENT WORKFORCE)
6 REDUCTIONS AND THE EFFECT ON)
7 SERVICE QUALITY)
8 Chicago, Illinois
9 December 19, 2002
10 Met pursuant to notice at 2:00 p.m.
11 BEFORE:
12 THE COMMISSION EN BANC
13 APPEARANCES:
14 MS. CARRIE HIGHTMAN,
15 President of SBC Illinois;
16 MR. JOE W. WALKOVIK,
17 President and CEO of SBC Midwest;
18 MR. BUD GREEN,
19 Staff of the Illinois Commerce Commission.
20
21 SULLIVAN REPORTING COMPANY, by
22 Tracy L. Ross, CSR

1 I N D E X

2	PRESENTATION BY:	PAGE
3	MR. BUD GREEN	4
	MS. CARRIE HIGHTMAN	10
4	MR. JOE WALKOVIK	20

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8 E X H I B I T S

9	Number	For Identification	In Evidence
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10 None so marked.

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1 CHAIRMAN WRIGHT: The second agenda item is a
2 presentation by SBC Illinois regarding recent
3 workforce reductions and the effect on service
4 quality.

5 As you know, about a couple months ago,
6 SBC announced a layoff of somewhat -- of
7 approximately 11,000 employees in its 13-state
8 territory and the Commission was quite concerned
9 about the effect of those layoffs, particularly
10 in Illinois, and what effect, if any, it might
11 have on service and service quality. And the
12 Commission was pretty emphatic about being kept
13 apprised in learning in the end what these
14 layoffs and work reductions might mean for
15 Illinois.

16 That was two months ago. Today, we now
17 have the final numbers from SBC on its workforce
18 reductions for Illinois. And I might say during
19 that intervening time of the two months to today,
20 the company has been attentive and diligent in
21 keeping our Staff apprised of these issues. So I
22 compliment them on that.

1 Yet, now we have -- we now have the
2 numbers and we want to know what they mean and
3 have assurance from the company that this is not
4 going to be resolved in some service degradation
5 now and in the foreseeable future.

6 The format for today's special open
7 meeting will begin with a Staff report by Mr. Bud
8 Green from the Telecommunications Division; and
9 then we will go to SBC for a presentation and
10 representing the company is Miss Carrie Hightman,
11 President of SBC Illinois, and Mr. Joe Walkoviak,
12 President and CEO SBC Midwest. And as soon as
13 that presentation is concluded, then questions
14 from the Commissioners are appropriate.

15 With that, Mr. Green, would you proceed
16 with a status report from Staff?

17 MR. GREEN: Surely. As I was announced, I am
18 Bud Green. I am the Chief Telecommunications
19 Engineer, Division of Telecommunications, for the
20 Illinois Commerce Commission. With me, although
21 you can't see him because he is in Springfield,
22 is Mr. Sam McClerren, who is a senior engineering

1 analyst, and he is there to assist us also with
2 any detailed questions.

3 I'm going to be extremely brief since
4 most of it is for an SBC presentation. I'm going
5 to briefly touch on service quality, employment,
6 investments and, briefly, what Staff's concerns
7 are.

8 Among the many things that are measured
9 and reported to us by SBC are out of service for
10 24 hours, meeting time of repair, percentage of
11 installation commitments met, installations
12 within five business days, the repair end of
13 business centers, speed of answer, among others.

14 Ameritech -- SBC Ameritech has been
15 performing very well which, of course, we know is
16 quite a contrast to how things were in the year
17 2000. In fact, the year 2000 probably the worst
18 thing we saw was one month out of service and it
19 got as high as -- out of service over 24 hours
20 got as high as 37 percent. We are seeing nothing
21 like that these days. Service quality is very
22 good.

1 Regarding employment, as you stated, SBC
2 announced layoffs in the tune of 11,000 people.
3 For those in Illinois who are being laid off, the
4 last day of work will be December 27th. To put
5 that in other terms of who is being laid off,
6 that is basically everyone -- every
7 non-management network employee who was hired
8 since mid-February of 2001, everyone since that
9 time.

10 We have received information regarding
11 these total reductions which approximate 740
12 people in Illinois. The distribution of that is
13 157 installation and repair; 382 engineering and
14 construction; and 197 in infrastructure
15 maintenance.

16 What we believe is worth noting, that if
17 you add together the engineering and
18 construction, the 382 people, plus the
19 infrastructure maintenance, the 197, this is
20 approximately 79 percent of those being reduced.

21 To define what these are, installation
22 and repair are the people who come to your house.

1 They're the ones who repair your phone, make
2 installations. These are the ones you see on a
3 day to day basis. These are also the ones that
4 most directly affect the service quality because
5 they're being measured on their time, how fast
6 they install, answer, that sort of thing.

7 However, the other two, engineering and
8 construction, these are the people that put in
9 the infrastructure. They're the people who lay
10 the cables, put in conduit, they're the line
11 forces. They're also included -- the splicers
12 who put the main cables together.

13 And the other category that Ameritech
14 came up with, and we're very pleased that they
15 did, was the infrastructure maintenance
16 organization. These are the people that look at
17 the existing infrastructure and say, Where is it
18 broken down? Where can we put it together?
19 Again, they're doing it on the infrastructure,
20 they are not the installation and repair people
21 who day-to-day are installing your phones and
22 repairing them.

1 Now, also looking at numbers. For
2 installation and repair, from the numbers that we
3 have received, it puts it pretty close to the
4 same numbers that were in the third to fourth
5 quarter of the year 2000, just to put a
6 perspective on it.

7 Regarding investments, SBC is meeting
8 its commitment for Merger Condition 7. Merger
9 Condition 7 was that SBC would invest \$3 million
10 over five years. They are meeting their
11 commitment and we don't see any problem with them
12 doing such, although, we do anticipate the level
13 of investment to be reduced this next year.

14 So getting to what Staff's concerns are,
15 when we see a slight reduction in the
16 installation and repair people, we generally
17 don't have any sort of problem with that because
18 the reduction in INR is small and Ameritech has
19 been making progress in efficiencies in the
20 manner in which they perform those operations.

21 However, the greater reduction, again,
22 in personnel is in the placing and maintenance of

1 the infrastructure, again, approximately 79
2 percent of the layoffs relates to infrastructure.

3 COMMISSIONER KRETSCHMER: Repeat what the 79
4 percent is, what category?

5 MR. GREEN: 79 percent of the people being
6 laid off or the positions that are being
7 eliminated, I really should say, are those in
8 infrastructure, placement and maintenance.

9 Now, I should make it clear that when we
10 say those are the people that do it, because of
11 union contracts it's really the reduction of jobs
12 in those areas because there will be some
13 shifting around of people from one position to
14 another.

15 So bottom line, our concerns are with
16 the employee reductions, what's going to happen
17 to service quality now? We think it should be
18 minimal, but what happens down the pike in that
19 infrastructure lags the service quality? And
20 that's it.

21 COMMISSIONER SQUIRES: I'd like to ask a
22 clarifying question.

1 CHAIRMAN WRIGHT: Clarifying question,
2 Commissioner Squires.

3 COMMISSIONER SQUIRES: Mr. Green, did I hear
4 you say that the same level of employment is the
5 same as December of 2002? Is that what you said?

6 MR. GREEN: No. I equated it to somewhere --
7 we have numbers on a quarterly basis. So
8 somewhere in the third to fourth quarter of the
9 year 2000, it's been reported to us to have
10 approximately the same number of installation and
11 repair people.

12 COMMISSIONER SQUIRES: Fourth quarter?

13 MR. GREEN: Third and fourth quarter of the
14 year 2000.

15 COMMISSIONER SQUIRES: Thank you.

16 CHAIRMAN WRIGHT: You completed your remarks,
17 Mr. Green?

18 MR. GREEN: Yes, I have.

19 CHAIRMAN WRIGHT: All right. Now we'll turn
20 to SBC opening remarks by Miss Hightman.

21 Proceed, please.

22 MS. HIGHTMAN: Thank you. I'm Carrie

1 Hightman. I'm president of SBC Illinois. With
2 me is Joe Walkoviak, who is the president and CEO
3 of SBC Midwest, formerly known as SBC Ameritech.
4 And before I begin, I just have to note it's sort
5 of strange sitting here knowing that every time
6 I've sat here there's been a particular face at
7 that bench that's not going to be here anytime I
8 do this in the future.

9 So I just have to let you know it's sort
10 of a bittersweet moment sitting here with the
11 experience and knowledge that Commissioner
12 Kretschmer had knowing that she doesn't always
13 agree with us; but she does her job well and it's
14 sort of strange to be sitting here knowing you
15 are not going to be here next time.

16 COMMISSIONER HURLEY: We could probably think
17 of a reason, Carrie. On December 30 Commissioner
18 Kretschmer will be here. I'll come up with
19 something.

20 MS. HIGHTMAN: I might not have a chance to
21 speak that day.

22 Anyway, I think it probably makes sense

1 to start off this presentation by picking up
2 where I left off last year. As most of you will
3 recall, a little more than a year ago I appeared
4 before you to discuss the progress that we had
5 made to correct the service problems that were
6 experienced in 2000. You may also recall I'd
7 been with the company only a few months when I
8 addressed your concerns and I told you that I
9 came to SBC because I believe that real progress
10 was being made.

11 I'm proud to tell you now that the
12 reality has clearly exceeded my expectations when
13 it comes to retail service quality. I'm happy to
14 report that the company has not only made
15 substantial progress since my last visit but we
16 have also raised the bar in service in the
17 telecommunications industry.

18 Now, last year I talked about our
19 service objectives moving forward and what I
20 mentioned was that we must meet all requirements
21 for out of service and installation, maintain an
22 average speed of answer of 60 seconds or less

1 when customers call for repairs or new service,
2 and we also must keep our appointments with our
3 customers.

4 You got a handout that we gave you,
5 there's four pages. If you look at the first
6 sheet it shows you that we've met all the service
7 measures in 2001. I also put on there a column
8 that shows you where we were at the time that I
9 was in -- we were in in July so you can see that
10 we, in fact, did make the measures for 2001.

11 At the time we were here, we didn't
12 know, we hadn't finished the year. And
13 remarkably, for 2002, it looks like we're going
14 to better ourselves from 2001. Those results are
15 strong and we're going to do even better than
16 that.

17 In fact, I'm very pleased to report what
18 I think you all have actually acknowledged in
19 some other forums, that our retail service is now
20 at a ten-year high. Customer service has been
21 and continues to be paramount to SBC. Our
22 numbers prove that. We also appreciate that you

1 want to ensure that high quality service is
2 provided to consumers. So do we.

3 In fact, your own numbers show that in
4 2001 SBC had one of the lowest number of
5 complaints per 10,000 access lines of all major
6 carriers in Illinois -- I think we're the second
7 lowest -- and that was a year when the vast
8 majority of carriers had an increased number of
9 complaints.

10 Now, in addition to the key measures
11 that are shown on Slide 1, which I just
12 discussed, I want to share with you something
13 else that we are focusing on in terms of service
14 and I think we touched upon this last year when
15 Mr. Miller and I were here. I know you've
16 probably seen some of our ads.

17 We've added new processes aimed at
18 resolving customer issues in one phone call so
19 that customers won't have to experience that old
20 telephone tag we played when we were young.

21 And we're more precisely informing our
22 customers at the time of a maintenance or

1 installation visit from a technician so customers
2 can no longer use our company as an excuse to
3 miss a deadline at work.

4 In fact, we're calling our customers
5 prior to installation to confirm the appointment
6 and after an installation to determine if they
7 were satisfied. We also call customers with
8 active repair calls to check to be sure that the
9 problem that they reported was resolved.

10 So why are we focusing so much on
11 service in areas not required by the regulators?
12 Because we know that an aggressive competition
13 exists here in Illinois. Our competitors serve
14 26 percent of the local market and that's not
15 inconsequential. We know that Illinois consumers
16 have a choice. If we just talk, they're going to
17 walk.

18 So we have to perform and we have done
19 so. This aggressive competition is especially
20 challenging because it's occurring in unstable
21 economic times. Businesses throughout the
22 country are taking drastic steps in order to

1 remain economically viable. Local industries are
2 experiencing cutbacks and layoffs. The economic
3 downturn has also impacted local and state
4 governments which have had to cut budgets and
5 head counts.

6 The telecom industry has been
7 particularly turbulent. More than 115 telecom
8 companies have filed for bankruptcy. More than
9 500,000 telecom jobs have been lost in the last
10 18 months. In this year alone MCI WorldCom
11 announced it will be cutting 17,000 jobs because
12 of its bankruptcy; Verizon is cutting 13,000
13 jobs -- and I think I heard on the radio this
14 morning on the way to work that they're cutting
15 immediately over 2,000 jobs in New York; AT&T is
16 cutting 5,000 jobs; Bell South is cutting 4,200
17 hundred jobs.

18 SBC is not immune from these same
19 economic pressures. And, as you know, as was
20 reported earlier and mentioned by the Chairman,
21 in September, our parent company announced that
22 there would be -- we would be laying off 11,000

1 positions out of a workforce of 183,000 in the 13
2 states in which SBC operates. In Illinois, 614
3 network employees will be let go.

4 Although Joe will speak in more detail
5 on this issue, I want to assure you that contrary
6 to the ad campaign by our competitors, the
7 decision to make these reductions was not made
8 lightly we are a company that values our
9 employees while at the same time respecting our
10 fiduciary duty to our shareholders and our
11 service obligations to our customers. No company
12 wants to make these types of cuts and we're no
13 different.

14 While Joe will address this in more
15 detail, I also want to point out that even after
16 these workforce reductions, SBC Illinois will
17 still have more network employees next year than
18 we had at our lowest point in the year 2000.
19 These technicians will be more experienced than
20 they were back then and they will be working on a
21 system on a network that will experience fewer
22 incidents because we've invested billions of

1 dollars in our network since that time.

2 As you know, as was also mentioned by
3 Mr. Green earlier -- I'm not sure if you
4 mentioned this one -- we are required by Alt Reg
5 order to invest \$3 million in our network over
6 the five-year period 1995 through 1999.

7 And if you turn to the second of the
8 slides that we gave you, you'll see that we more
9 than met that requirement; in fact, we actually
10 exceed it. And then the merger -- which I
11 believe Bud did mention -- to invest \$3 million
12 during the period 2000 through 2004 is one that
13 we're going to meet one year early in 2003.

14 We are investing in state-of-the-art
15 equipment including outside plants, switching
16 facilities, interoffice facilities, vehicles,
17 technician equipment, including things like
18 intelligent field devices, and Joe will get into
19 more detail on all those.

20 But combined, that's more than a \$6
21 million investment in Illinois telecommunications
22 infrastructure, far more than any of our

1 competitors are investing in Illinois. To put
2 that amount in perspective, the \$6 million -- the
3 over \$6 million that we've invested could have
4 financed more than 16 Millennium Parks, a little
5 I will Chicago humor.

6 In conclusion, I hope I have provided a
7 good overview of where we've been. Joe will
8 provide the details of where we're going. If I
9 leave you with any impression, let it be this:
10 All of us at SBC are committed to providing high
11 quality service to our customers. We are keeping
12 our commitments to our customers and to you, the
13 regulators; and at the same time, we are taking
14 appropriate measures necessary in this difficult
15 economic environment.

16 I'll be happy to answer questions later
17 or whenever you want, I guess, but I'm going to
18 turn it over to Joe now.

19 COMMISSIONER HURLEY: Thank you, Carrie. I
20 just want to caution Carrie. In the future, you
21 will remember that we like to be amusing; it's
22 not for you to be amusing.

1 MS. HIGHTMAN: I apologize.

2 MR. WALKOVIK: Thank you, Carrie.

3 What I'm going to do, if I may, is talk
4 really from the two slides that we provided.
5 First let me offer my congratulations to
6 Commissioner Kretschmer for her longstanding duty
7 here and all the good work that she has done with
8 this Commission.

9 All you folks have extremely tough jobs.
10 We see them from this side. At the same time I
11 truly do understand the complexity of all of the
12 issues -- not all of the them, some of the issues
13 you have to deal with and when you look at the
14 industry we're in and how quickly our business is
15 changing, things do move fast and you have a lot
16 of things to weigh and consider as you move
17 through your day-to-day activities and make your
18 decision.

19 There were several things that I was
20 going to talk about with respect to this Slide 3
21 that Mr. Green handled quite well, so I'm not
22 going to go through those and tell you what an

1 installation and a repair technician was and what
2 an infrastructure maintenance person did. If you
3 have some questions on those, we'll come back to
4 them. I think he did a great job in explaining
5 those and if I started rambling with that, I
6 would just take up time that you might want to
7 use in the way of questions.

8 So I would ask you first to look at the
9 slide entitled Network Head Count, page 3, that
10 pretty well, in a graphic form, shows what
11 Mr. Green covered in his remarks, that even after
12 we complete the downsizing we will still be in a
13 level that was higher than where we were at the
14 2000 level or the fourth quarter.

15 You'd probably look at it and say, Well,
16 that sounds real good, Joe, but we've got some
17 questions about why it went up and why is it
18 going down? Part of that had to do with
19 investment.

20 And Mr. Green also talked about
21 reduction of capital and he made a point about
22 the 79 percent reduction is made up of

1 infrastructure maintenance folks and part of that
2 was driven by the capital program reduction.

3 The other piece of it is is appropriate.
4 When you look at what happened over the course of
5 the last two years, Carrie as well as Mr. Green
6 comment on the fact that we have spent the
7 required -- or committed to the dollar amounts
8 that -- in a shorter period of time.

9 And part of the reason is that we really
10 did increase the amount of outside plant
11 rehabilitation money that was spent. It was
12 spent much earlier in our program rather than
13 later because of the significant problems that we
14 had in 2000, make no bones about that. We
15 decided to do it faster and we did. When our
16 work is completed then you have to deal with,
17 what do I do with the workforce that was working
18 on that particular workout?

19 The next question would be, I would
20 think, Well, is it -- did you make an appropriate
21 reduction? Let me first comment on the amount.
22 Rather than give you a dollar amount, let me kind

1 of put it in a perspective.

2 When you look at what you would normally
3 spend on an outside plant rehabilitation in this
4 particular state, the state of Illinois, we did
5 in two years about 12 or 15 years' worth of
6 outside plant rehabilitation, a significant
7 amount of work.

8 When you look at the results over the
9 last 12 years, beginning in 1990, you make a
10 strong case that we probably didn't spend that
11 much. We wouldn't argue with that, that's why we
12 did that; but 12 to 15 years' worth of outside
13 plant rehabilitation is not something that we
14 need to repeat every two years.

15 The real question is, what's the right
16 amount? What we have actually put into the plan
17 is about twice what we think would be normal
18 maintenance as we go into '03 and the reason we
19 put in twice is to make sure. We didn't want to
20 leave any room or any margin for error because as
21 it was discussed earlier by the Staff, we use
22 those people to spend capital dollars to correct

1 out at the plants so that you don't have a
2 customer report out of it and fix it in our time
3 rather than the customer's time.

4 And at the same time, we'll use that
5 force that during the periods of heavy rain and
6 our loads build up, we move them from that job to
7 a live load -- what we'll refer to as a live
8 load -- so that we can handle that volume of work
9 as it comes in and that's what you have to do in
10 order to meet the out of service requirement.

11 And so we make sure that as we sized it
12 going into this year, in '03, we make sure we had
13 enough people in infrastructure and
14 maintenance -- I think beyond what we will
15 probably need in the future years -- but we're
16 going to kind of test-drive it for a year to make
17 sure that things are like I'd like to think they
18 are. And -- I'll get into that in a little more
19 detail when I get into the load numbers in a
20 minute -- and I think we will be in excellent
21 shape with respect to being able to continue to
22 meet the service measures that we have as

1 required.

2 At the same time -- Carrie kind of
3 mentioned this -- we did do a significant amount
4 of training, not only with the new people that we
5 hired -- technicians and we'll continue to do
6 that. That is something that our company has
7 always believed in. Technical training is a top
8 priority to us and at the same time having --
9 state-of-the-art test equipment is another area
10 that we have over time spent the right amount of
11 money, that we believe, to make sure we have the
12 right pieces of equipment to do the job at hand.

13 And last, but not least, as we go into
14 '03, we begin the year with our plant in much,
15 much better condition. It would be awfully hard
16 to try to describe in simple terms how much
17 better shape we are in, other than just to look
18 and reflect maybe on our -- what we start our
19 daily -- what we start off every day with in the
20 way of load.

21 The load has been significantly down
22 over the last several months. I'm sure the Staff

1 has seen those numbers and has a pretty good idea
2 of what they look like, but that is a good
3 indicator for us from the standpoint of how well
4 we are doing.

5 We got tested a little bit last night.
6 We had a pretty good rain and as we all know rain
7 is not one of our friends. I had been promised
8 this time of year that it would be snow,
9 unfortunately that didn't materialize and it
10 turned into rainfall and so forth as we go
11 through today it looks like we're going to fare
12 it out and be in pretty good shape.

13 So the long and short of Viewgraph 3 is
14 that where we're going to start the year -- after
15 we finish the layoffs, we'll have about 11,000
16 more network employees than what we had in the
17 lowest point of 2000 and that -- out of that
18 number, about 700 of those are technicians.

19 If I could ask you to move to
20 Viewgraph 4 and take a minute and talk about
21 what's on this page because there's a number of
22 bars and a number of different numbers and I'd

1 like to take a minute and kind of explain what
2 all of these terms are.

3 It's entitled, Handling the Load and I&R
4 Dispatches -- are simply installation and repair
5 dispatches, how many cases or how many
6 opportunities do we have of the installation or
7 repair where it's required that we actually
8 dispatched a technician or a load truck.

9 If you come back -- if you go to the
10 bottom of the page and you look at DOTs, VSOs and
11 then total dispatches, the total is pretty
12 self-explanatory. It's the total truck rolls;
13 that's total dispatches that we have to actually
14 physically truck.

15 DOTs are repair tickets, how many
16 dispatched out troubles do we have on an annual
17 basis and that's what these numbers are. We have
18 them in much more detail as the Staff knows from
19 days to months to weeks and we compare trims over
20 a long period of time to help us understand what
21 progress we're making and at the same time help
22 us to use this to forecast the future.

1 VSOs, again, are the installation
2 dispatches. And what I'm going to do now is kind
3 of ask you to have your eyes focused on 2002 and
4 2003, and I'm really going to start with 2003
5 because that's really, I think, your question if
6 I heard all of you appropriately and that is,
7 we're concerned about 2003 and then there was
8 some concern about beyond '03.

9 Let me focus on '03. And what I will
10 say is, these numbers, dispatched troubles and
11 the installation dispatches and the total are
12 network forecasts. We recreate these ourselves.

13 Now, we have people that review those
14 and compare them to numbers that ourselves, are
15 marketing people might come up with; but I can
16 assure you, we have had final say on what those
17 numbers are and I say that only to emphasize
18 that -- there's at least one of these numbers, if
19 not all, that people have questioned whether or
20 not we have been too liberal in what we have
21 forecasted.

22 And, in other words, they felt that

1 these numbers probably should be a little lower
2 when you look at the amount of investment that we
3 make, the way that we've made that investment and
4 we focused on fixing real problems in the network
5 so they don't reoccur.

6 And then there's some concern about when
7 you look at our business, and you heard Carrie
8 describe aptly the costs -- not just our
9 territory but the entire industry -- that the
10 installation dispatches may be a little
11 overstated. From where I'm sitting, I would tell
12 you that we think these are numbers that we feel
13 very confident in from the standpoint that we
14 don't expect to exceed them, as far as having

15 more trouble and/or more dispatches on the
16 installation side and this is what we have
17 basically used to size our force.

18 And what we have in addition to these
19 numbers is, how much trouble can we clear on an
20 ongoing basis. And if you look at the big piece
21 of this chart -- it's labeled 2003 INR Plan
22 Capacity -- if you look at our total organization

1 that we will have in place to handle this load,
2 you can see that we have the ability on a total
3 basis to handle a little over 2 million
4 dispatches and we have forecasted a 1 million 9.

5 We have also the ability to move some
6 people out of infrastructure and maintenance to
7 take that to about 2.1 million. We also have the
8 ability to go to another technician
9 organization -- that's our C&D organization --
10 and move some of those if for some reason we were
11 off on these numbers and increase that 2.1
12 million to something in the 2.3, 2.4 million
13 range, which, again, from our perspective clearly
14 says we have the capacity to make sure we can
15 handle the demand level.

16 I would tell you this: If that began to
17 happen, what we would do? We would begin
18 seriously looking at, you know, do we need to
19 hire more people, what kind of problems are
20 causing that, and what actions do we need to
21 take. We think we have -- again, the process is
22 in place and -- to be able to handle that in an

1 orderly fashion and not have you folks have to
2 get in the middle of this issue from the
3 standpoint of not having us meet the measures
4 that we have.

5 And so I guess I would kind of end with
6 that from the standpoint of when I'm looking at
7 the end at the question at hand, what got us here
8 and a question that's on the table that ya'll
9 have expressed or you have expressed, is in my
10 mind, I would ask you to leave this meeting and
11 rest at ease.

12 If we need to react or do some things --
13 if these numbers pan out differently, then we're
14 well equipped to do that up to and including
15 having a -- negotiated with the IBEW, the local
16 union, that if we need to recall people, there's
17 a process in place to do that.

18 And our business is a business of not
19 only big numbers from a capital standpoint, but
20 big numbers from an employment standpoint. And
21 whether we like it or not we have a fair amount
22 of turnover, I'm sure, and we think there's a

1 good possibility that as we go through part of
2 next year we hopefully and likely will be in the
3 mode of calling some of those people back, so
4 we've already put that plan in play.

5 If our numbers are off, then we'll do
6 that quicker. I don't think we will. Like I
7 said, I feel very confident. I have been
8 associated with this piece of our business, the
9 network operations side, a good part of my career
10 and have, I think, a pretty good understanding of
11 what drives these numbers, what you can do to
12 impact them.

13 I would say that the Staff's comments
14 about the infrastructure and maintenance
15 organization -- I will tell you that that is --
16 we're the only company out of SBC that operates
17 that way. To me it is the right model.

18 Before I left the company, in the
19 network side, I was moving us in this direction.
20 When I came here it is absolutely the right way
21 to go from the ability to monitor, one, that
22 you're doing the right thing from a network

1 perspective; and, two, measuring the
2 effectiveness of it, you have a real tight
3 organization to do that and at the same time, you
4 have capable technicians to call on if you need
5 them because of a major service disruption or a
6 heavy load.

7 Carrie mentioned service and that's also
8 something I'm proud of because I think it will
9 become not only a model for SBC that began here,
10 that was created here by employees here, it is
11 clearly another area where we have put a lot of
12 emphasis and that is on service.

13 We firmly believe that service is an
14 attitude. You got to spend money, you gotta have
15 the network in place and the infrastructure in
16 place. We think we've done that. When you
17 really look at what is service, a lot of service
18 is an attitude and we really believe how people,
19 our people, our employees, interface with every
20 contact makes a big difference.

21 We have wrapped under the umbrella
22 infinite service. It began in our service

1 centers here. Again, we think it will become a
2 model for SBC and the industry over time and we
3 are all quite proud of that.

4 Let me stop at this point. I think I've
5 done at least what I can to clear both of these

6 slides that you have before you and we'll turn it
7 back to you folks for questions.

8 CHAIRMAN WRIGHT: Thank you, Mr. Walkoviak and
9 Miss Hightman.

10 Questions from the Commissioners
11 starting with Commissioner Kretschmer.

12 COMMISSIONER KRETSCHMER: You're going to have
13 to learn a new name. I'm looking at -- this is a
14 clarifying question. I'm looking at Slide 2 and
15 I'm wondering if only I am a bit confused by
16 this.

17 When you say you have spent \$3.38
18 billion for Alt Reg and \$3.3 billion for merger,
19 are those different numbers or are those the same
20 numbers?

21 MS. HIGHTMAN: They're different numbers that
22 cover different time periods. The Alt Reg

1 investment requirement was for the period 1995
2 through 1999. And so the numbers that we're
3 showing there, an investment would be made --

4 COMMISSIONER KRETSCHMER: There's no double
5 counting?

6 MS. HIGHTMAN: No. That's why I was saying
7 the 6 point whatever, they are separate figures,
8 separate dollars over separate time periods.

9 COMMISSIONER KRETSCHMER: It might be wise to
10 clarify that a little more because I looked at it
11 too and I wondered if there was some overlap, if
12 the same dollar's being counted twice.

13 I have a question and I don't like to
14 play what if, but I'm going to do it anyhow,
15 Mr. Walkoviak. I've learned over the years that
16 service does not deteriorate in six months or a
17 year, it takes probably eighteen months or two
18 years before the reality sets in of the lowering
19 of the number of employees who is providing
20 infrastructure and maintenance and that sort.

21 Do you intend to monitor what is
22 happening so that if you see service

1 deteriorating you won't wait, you'll bring back
2 employees immediately so that the service
3 qualities will not deteriorate?

4 MR. WALKOVIK: First, your comment on that
5 that it doesn't happen immediately, it does take
6 some time is absolutely correct, no question
7 about that; and the answer to question -- I guess
8 the short answer is simply, yes. That's why we
9 kept the infrastructure and maintenance
10 organization in place. We didn't disband that.

11 We fully believe in that. It is --
12 clearly, at least from my perspective, given the
13 latitude outlet across SBC because, again, that
14 is an organization that's sole responsibility is
15 to deal with the problem that we just talked
16 about.

17 They look at a lot of data that is --
18 what I call trend information, a lot of it
19 created out of testing process that we have. So
20 it's not based on trouble reports, it's based on
21 tests that are created nightly out of most of our
22 switching machines and customers have no idea

1 that they could have a problem.

2 We find it in advance with this
3 particular group and correct it. If we see that
4 increasing, i.e., we don't have a -- and I can't
5 imagine that if we go through all three because
6 of the amount of money we are going to spend or
7 have allocated in that area -- will we react
8 quickly? Absolutely, no question about that.

9 That is, again, I think the organization
10 and the process that we have in place here are --
11 very well handle that issue.

12 COMMISSIONER KRETSCHMER: Just one final
13 question. I hate talking to machines and I hate
14 being told if this is the case press 3, if that's
15 the case press 4, if something else is the case
16 press 5, and when you get all done and you are
17 hoping a human being is going to answer and you
18 get disconnected -- I'm not referring to your
19 company, but this is just in general. I've been
20 disconnected after pressing four or five numbers.

21 What are you doing about having customer
22 friendly situations so if your customers call

1 with either a request or a complaint, that they
2 can get a human being without having to go
3 through ten machines?

4 MR. WALKOVIK: Well, one of the things that
5 we are very sensitive to is the length of time
6 that a person calling in to any of our call
7 centers has the opportunity to hear a live person
8 and we're very sensitive to that. We continually
9 look at that and have a lot of different ways to
10 make sure that, again, people have a quick option
11 to be able to get to a live person.

12 There's clearly people who love to be
13 able to interface with any company that way and
14 then there's --

15 COMMISSIONER KRETSCHMER: With what?

16 MR. WALKOVIK: With any company that way,
17 i.e., through a live person. And then there's
18 folks who don't like that and what we try to do
19 is to make sure that what we have available is
20 the technology for -- to meet both those.

21 COMMISSIONER KRETSCHMER: You mean, you know
22 people who would rather talk to a machine rather

1 than talk to a person?

2 MR. WALKOVIK: Yes, I do.

3 COMMISSIONER KRETSCHMER: Really?

4 MR. WALKOVIK: Yes. As a matter of fact,
5 there's a lot of women who want to really not
6 even talk to you, they want to talk to you over
7 the computer.

8 MS. HIGHTMAN: Can I add one point to this?

9 The infinite service -- and I actually didn't use
10 the name that we've given in which Joe referred
11 to -- the one point of contact for resolution of
12 customer issues.

13 What happens, you know, oftentimes we're
14 talking -- I mentioned before about the telephone
15 tag, you have a problem, it doesn't get solved,
16 you call back, you talk to somebody different,
17 they don't even know what your problem was or --
18 the whole problem of infinite service is to avoid
19 that.

20 And we have a team of people who are
21 responsible to take ownership of the issue. You
22 know, basically, it's our problem, we should take

1 ownership of the issue. We should solve the
2 problem and the customer shouldn't have to feel
3 that they have to keep calling back -- if they
4 don't keep on it, it won't get settled.

5 We have commitments about the time
6 within which we will call a customer back. We
7 get their cell phone number, their office number,
8 their work number and that's the infinite service
9 program that I was referring to, which is
10 something that we voluntarily put together.

11 We had conversations with even CUB where
12 they talked about the need to make it easier for
13 customers to get problems solved. And I think
14 this is a great step forward and something that
15 other carriers are not doing.

16 COMMISSIONER KRETSCHMER: I will warn Marty
17 and I'll warn you, Carrie, I am now a DSL user --
18 I have my own computer, it scares me to death --
19 and if I have complaints, I'm going right to
20 Marty and then I'll go right to you.

21 MS. HIGHTMAN: You call me first.

22 COMMISSIONER KRETSCHMER: Okay. You first and

1 then Marty --

2 MS. HIGHTMAN: Marty, unless you want --

3 COMMISSIONER KRETSCHMER: -- and you know how
4 computer literate I am, so be prepared. Thank
5 you. I'm done.

6 CHAIRMAN WRIGHT: Thank you, Commissioner
7 Kretschmer.

8 Commissioner Harvill?

9 COMMISSIONER HARVILL: Thank you. There's no
10 doubt your numbers look considerably better than
11 they have in the past. Given the willful
12 performance in previous years, you've done a very
13 good job in turning things around.

14 My general feeling on the regulation in
15 general is that if you can meet the service
16 quality standards by cutting your workforce in
17 half, then that's your responsibility, your
18 ability to do that. It's a matter of meeting
19 those requirements, either pursuant to statute or
20 rules or the orders that the Commission actually
21 enters.

22 That being said, I think Mr. Green

1 indicated that there were 614 employees being
2 affected by the layoffs here in Illinois.

3 MS. HIGHTMAN: Actually, I think I actually
4 said the number as well.

5 COMMISSIONER KRETSCHMER: 741 or --

6 MS. HIGHTMAN: 614 is the actual number being
7 laid off -- being laid off.

8 MR. GREEN: Agreed.

9 COMMISSIONER HARVILL: What's the average
10 annual compensation for those employees?

11 MR. WALKOVIK: Probably -- let me think a
12 minute. Probably 45,000 that's an approximate.
13 Mr. Green, you got a different number?

14 MR. GREEN: The people who are being laid off,
15 like I said, the oldest -- or the one with the
16 most longevity goes back to February of the year
17 2001, that can give you an idea of how long
18 somebody's been in there, you know, going to this
19 December.

20 The pay scale for SBC -- if I may talk
21 for you -- basically, is a graduated scale. They
22 hire people in at different levels even within

1 the same category. I think it can go as low as,
2 approximately, 30,000 or less for someone that
3 they would hire off the street with virtually no
4 experience.

5 Those which are expensed or have gone
6 through the time frame -- if you start out at the
7 minimum, within 60 months or 61 months, here in
8 Illinois, they're making approximately 57,000;
9 but they could hire many of these -- very few are
10 actually hired at the absolute minimum.

11 MR. WALKOVIK: That is why I used the number
12 I used and that was truly an off -- because we
13 did hire -- giving more service because of the
14 situation that we were in.

15 MR. GREEN: So your 45,000 appears reasonable.

16 COMMISSIONER HARVILL: You've answered my
17 question, thank you. There's no doubt as you
18 face increasing competitive pressures that you're
19 going to have to reduce costs and a lot of times
20 that involves reducing your head count. A lot of
21 times you look at the contradictions of the
22 company so we regulate.

1 And I guess my question would be this:
2 What is the average cost of a full-page ad in the
3 Chicago Tribune?
4 MR. WALKOVIK: I don't have a clue --
5 COMMISSIONER HARVILL: Or full-page ad in the
6 Chicago Sun-Times?
7 COMMISSIONER HURLEY: A lot.
8 MS. HIGHTMAN: I don't know.
9 COMMISSIONER HARVILL: Or a 30-second spot on
10 one of the major networks?
11 COMMISSIONER HURLEY: Maybe Mr. --
12 COMMISSIONER HARVILL: The point I'm trying to
13 make is, you have, you know, 614 employees making
14 an average of \$45,000 a year, assuming that a
15 full-page ad in one of the major newspapers in
16 Chicago -- I'll focus specifically on Chicago, I
17 know the ads are being run in other newspapers in
18 the Midwest -- plus the 30-second spots or
19 1-minute spots are being played on TV, it seems
20 that there's an extraordinary amount of money
21 being spent on an ad campaign that could be
22 better served maybe being directed towards these

1 employees.

2 And maybe if you could respond to that
3 I'd be interested in your position on that. It
4 seems to be that you're trying to save money on
5 the one side but you're spending an extraordinary
6 amount of money on the other side, on an ad
7 campaign to essentially get the laws and
8 regulations changed on the federal and state
9 levels.

10 MS. HIGHTMAN: If I may -- and Joe if you want
11 to add to this -- our ad campaign is a campaign
12 to respond to misleading, inaccurate information
13 that's being put out by a front group for our
14 competitors and we could probably debate the
15 propriety or the necessity of responding to those
16 kind of ads and I'm sure there's a lot of
17 judgment involved, whether that's the right thing
18 to do or the wrong thing to do.

19 We've obviously determined that it's
20 necessary for us to at least try to set the
21 record straight on the significant issues that
22 face our company and that's what we're doing.

1 But, you know, I understand the point that you're
2 making. We're making cuts in lots of areas, not
3 just the employees.

4 So, we're looking --

5 COMMISSIONER HARVILL: And I don't doubt that
6 and I don't question your ability to undertake
7 those cuts. I think it's your responsibility to
8 cut costs -- as you increase competitive
9 pressure, you're going to have to.

10 Everybody says monopolies are
11 inheritably efficient and as they face pressures,
12 they have to get leaner and meaner; but there is
13 a contradiction here that you're laying off 614
14 individuals at \$45,000 annually, but yet running
15 several ads both on network television and on --
16 in the major publications at several thousand
17 dollars -- I would hasten to argue that a
18 full-page ad in the Chicago Tribune probably
19 equates to a full year's salary for some of your
20 employees.

21 And that being said, there's a
22 contradiction, that's all I'm trying to make --

1 MS. HIGHTMAN: Let me just add one thing if I
2 may. It's no less or more of a contradiction
3 than a company in bankruptcy spending the money
4 it's spending being part of a front group that's
5 doing these kinds of ads for a company that also
6 laid off -- AT&T has laid off thousands of
7 workers.

8 So, I mean, you know, it doesn't make it
9 right, it doesn't make it wrong; but I think if
10 you're going to note the contradiction, let's
11 note the contraction all the way around.

12 CHAIRMAN HARVILL: Sure.

13 MR. WALKOVIK: Let me comment, if I may, not
14 from the perspective of directly commenting on
15 the extent -- I think there's a whole lot of
16 things and we looked at -- as Carrie said, we
17 looked at a lot of areas before we got to the
18 point where we were in a layoff mode. This is
19 the first one, especially of this magnitude, that
20 I've ever personally been involved in and I've
21 been involved in this for a long time.

22 I have personally spoken to a number of

1 technicians, men and women, who are going to be
2 laid off. It's a difficult thing for them. I've
3 talked to their spouses. It's a difficult thing
4 for them.

5 It's not something we take lightly and
6 I'm personally offended by that. Thanks.

7 COMMISSIONER HARVILL: The intent of my
8 question wasn't -- I don't know if my question
9 offended you or what; but I guess my question
10 went more to the issue of, you know, you have
11 employees that are being laid off but yet there
12 are thousands of dollars being spent on other
13 aspects which --

14 MR. WALKOVIK: There's a lot of money being
15 spent in this business in a lot of places that
16 you could probably ask that question about. We
17 look at those very seriously and we take very
18 seriously what has happened, believe me.

19 COMMISSIONER HARVILL: As do I and I guess my
20 issue is that, you know, there seems to be some
21 employees that are getting caught up in this and
22 I'm sure they have the same questions as to why

1 the money is being spent on certain things and
2 not being spent on continuing their employment.

3 That being said, I'm done.

4 CHAIRMAN WRIGHT: Thank you, Commissioner
5 Harvill.

6 Commissioner Hurley, Chairman of the
7 Telecommunications Policy, proceed.

8 COMMISSIONER HURLEY: Is that me,
9 Mr. Chairman?

10 CHAIRMAN WRIGHT: That would be you.

11 COMMISSIONER HURLEY: It is unfortunate. I
12 think we all would agree that it is unfortunate,
13 the amount of rhetoric that we have to read in
14 the newspapers and even on television ads,
15 particularly of late.

16 I think Commissioner Harvill makes, you
17 know, a very valid point. We are all concerned
18 about that; however, as regulators we have very
19 little control over the corporate decisions that
20 unfortunately have to be made to either battle
21 back and forth or not battle at all and those are
22 decisions you have to make. I'll try to get back

1 to the subject at hand.

2 One of the things that Mr. Green talked
3 about and you touched on as well, Mr. Walkoviak,
4 is that it seems to me that your improvements
5 over the last couple years in the measures -- the
6 service quality measures have been in the area of
7 installation and repair where you've done pretty
8 well; but they have not been, necessarily,
9 improvements -- the improvements have not
10 necessarily been in the area of the construction
11 area. And, yet, it seems that's where you're
12 heaviest layoffs -- 382 for engineering and
13 construction and 197 for infrastructure and
14 maintenance.

15 I'm just wondering if that isn't
16 something that we should be concerned about for
17 long-term -- our long-term concerns, which
18 clearly are why we're here today. You know,
19 we've got 157 on the installation and repair side
20 where you've made your major gains, you haven't
21 made you major gains in the engineering and
22 construction side.

1 MR. WALKOVIK: Where we have made gains in
2 the engineering -- in the construction area,
3 though, is in the area of correcting outside
4 plant problems that existed and have for some
5 time.

6 That's why, again --

7 COMMISSIONER HURLEY: The degraded system?

8 MR. WALKOVIK: -- that's why we had the
9 infrastructure and maintenance organization
10 created the way we have. I guess -- on a
11 long-term basis -- and we discussed this to some
12 degree -- we feel very confident and comfortable
13 with where we are with the processes that we,
14 again, have in place.

15 And the cornerstone of that is our
16 infrastructure and maintenance organization and
17 what they're responsible for. They clearly are
18 the lead organization with respect to making sure
19 that if problems begin to crop up, they identify
20 them, they're responsible for doing their job and
21 will highlight in an adequate amount of time for
22 us to respond.

1 You know, I look at -- you know, from a
2 long-term perspective, the service quality
3 measures that we operate with here are the most
4 onerous in the United States --

5 COMMISSIONER HURLEY: Indeed.

6 MR. WALKOVIK: -- bar none.

7 And we understand that. We know what we
8 have to do in order to make those. And there's
9 no question that the -- again, the infrastructure
10 and maintenance organization was there by design,
11 because that's what you have to have in order to
12 meet these measures. And no matter where you
13 look in our territory or even outside of our
14 territory, nobody is performing at the levels we
15 perform at.

16 And, you know, on a near-term and a
17 long-term basis -- and when we talk long-term, I
18 mean -- let me kind of offer this caveat: I feel
19 very comfortable about all '03. I feel real good
20 about '04. I'll feel better about '04 as we go
21 through '03 and see what happens. If we think we
22 need to make some adjustments as we go in '04

1 based on the actual results in '03, we'll make
2 them. And we'll continue to operate and run this
3 business in that fashion.

4 You know, when you look at the load
5 chart on Viewgraph 4, 1996 was the lowest level
6 of -- repair level. We had a -- or at the time
7 Ameritech had an 85 percent out of service
8 cleared in 24 hours, and all of a sudden 2001 was
9 by far the heaviest load.

10 Some of that was carried over into --
11 from 2000 and a lot of that was caused by all the
12 activity that we had going on; but we, even with
13 that increased load, handled it in a manner to
14 meet the requirements.

15 So I think, again, when you look at the
16 numbers, the measures that you have in place, we
17 know what it takes to meet those. The fact that
18 they're the most onerous in the country, that's a
19 so what. They are what they are. We know how to
20 handle --

21 COMMISSIONER HURLEY: I don't think we'll be
22 lowering them anytime soon.

1 MR. WALKOVIAK: I didn't expect that, but the
2 point is is that we understand what we have to do
3 organizationally and operationally in order to
4 achieve those and we have and we will continue to
5 do that.

6 COMMISSIONER HURLEY: In that same vein since
7 we certainly know and you have stressed how
8 onerous our standards are for you to meet the
9 measures, our penalties are prob- -- that we
10 impose upon you when you don't meet them are
11 probably more onerous than anywhere else in the
12 United States too.

13 Yet, as you well know, we have the
14 ability to increase those penalties; and since
15 the discussions about the layoffs have been
16 taking place around the Commission, certain
17 people have advanced the idea that the Commission
18 may want to consider increasing the penalties
19 already in effect.

20 Why don't you try to tell me why we
21 shouldn't consider them.

22 MR. WALKOVIAK: Well, I think the mere fact

1 that they are what they are, the most onerous in
2 the country, that's sort of a beginning point.

3 COMMISSIONER HURLEY: What do they say about
4 the Illinois Commission out there?

5 MS. HIGHTMAN: A tough group.

6 CHAIRMAN WRIGHT: As they should be in past
7 performance, and I'll leave it there,
8 Commissioner Hurley.

9 COMMISSIONER HURLEY: There's a reason we are
10 where we are.

11 MR. WALKOVIK: If you start with that point,
12 clearly, we understand that. I mean, we've had
13 enough conversations -- and I don't know here
14 today -- but the Staff and with others in
15 different venues and, you know, with that
16 understanding and with the performance that we've
17 seen, we've done what we said we'd do.

18 And I think we have used a lot of
19 resources that we brought to the table. We've
20 used a lot of ingenuity that was here and we
21 allowed people to do things and put processes
22 together in place that will keep us in the mode

1 of being able to make these go forward on an
2 ongoing basis.

3 MS. HIGHTMAN: Can I add --

4 MR. WALKOVIK: Yes, go ahead.

5 MS. HIGHTMAN: -- that, you know, one of the
6 things that Commissioner Harvill said I think is
7 relevant here to answer your question. You know,
8 it's inconsistent, it seems to me, in this
9 increasingly competitive local market that even
10 our competitors now acknowledge exists.

11 To be using additional regulation in the
12 form of additional penalties or service quality
13 measures has -- to impose them now in this
14 environment -- as I said before and I'll repeat
15 it again because I think it's a very important
16 point, we have every incentive to maintain our
17 retail service quality because we know that every
18 customer that we serve could go to some other
19 carrier if they're not happy with our service.

20 Now, granted, we also have the incentive
21 to maintain our service because of the different
22 penalties that are already in place. But for

1 additional penalties or service measures to be
2 imposed now when we are responding to the same
3 economic pressures that every other company in
4 this state -- in this country are responding to,
5 that the state government's responding to --
6 we're doing voluntary layoffs in the state
7 government. We're cutting back. We have a
8 budget deficit. The City of Chicago is cutting
9 over 400 people.

10 If the response to our rational reaction
11 to the economic downturn that's affecting every
12 company and every unit in government is to
13 impose -- is to punish us by imposing additional
14 penalties or additional measures, it doesn't seem
15 appropriate, even putting aside the marketing
16 incentive that now exists that I think you all
17 realize the results of the competition we face.

18 COMMISSIONER HURLEY: And I yield to
19 Commissioner Kretschmer -- I'm sorry,
20 Commissioner Squires.

21 CHAIRMAN WRIGHT: Commissioner Squires is next
22 in line.

1 Commissioner Squires?

2 COMMISSIONER SQUIRES: Thank you very much.

3 This is actually for Commissioner Kretschmer.

4 One thing I've learned is when you dial
5 a number and they start to give you the press 1,
6 press 2, press 3, press 0, you're going to get a
7 person.

8 COMMISSIONER KRETSCHMER: Or be disconnected?

9 COMMISSIONER SQUIRES: No. If you press 0
10 you'll get a person. I think it's probably been
11 said here today, but what is the employee level
12 that you are going to be dropping this -- I had
13 740 employees and now somebody else has 641 --
14 but whatever, these employees -- what level is
15 that from the service when service was at its
16 worse about a year and a half, two years ago?

17 MS. HIGHTMAN: The lowest -- let me answer it
18 this way and see if this answers your question.

19 The lowest employment level was at the
20 beginning of 2000 when the -- as I understand it,
21 and someone will correct me if I'm wrong, I'm
22 sure, the service quality issues were at their

1 peak, their worst, in the spring, summer and fall
2 of 2000 and we increased network employee levels
3 from January through the end of that year.

4 So at the lowest level in 2000, which
5 was January of 2000, I believe we have about 1100
6 more -- is it 1100?

7 MR. WALKOVIK: Yeah.

8 MS. HIGHTMAN: 1100 more employees. So both
9 management and not management we will have after
10 the layoff, so comparing January of 2000 and
11 January 2003.

12 COMMISSIONER SQUIRES: That does answer -- in
13 other words, there's more employees. You have
14 not dropped the level down to what it was in the
15 year 2000?

16 MS. HIGHTMAN: No.

17 COMMISSIONER SQUIRES: I think about a year
18 ago when you did come in and talk about employees
19 and hiring and such, at the time it was -- you
20 indicated that many of these employees that you
21 were taking on were green employees, they needed
22 at least six months to be brought up to snuff to

1 the point where they were serving the company
2 well. Do you feel that that now has occurred?

3 MR. WALKOVIK: Yes. We not only -- we
4 trained all the new employees, but we did a lot
5 of training and retraining of existing employees.
6 We will have a -- with all of the layoffs, we're
7 going to have, unfortunately, a lot of churn --
8 movement of people just by virtue of the way our
9 contract is written and the way our -- the actual
10 layoffs will occur.

11 I think Mr. Green sort of alluded to
12 that and we know when that happens we're going to
13 be in the mode of having a technician who might
14 have been a splicer yesterday, be an installation
15 or repair technician and we'll have quite a bit
16 of training to do early in the year.

17 We already know that, we've already
18 factored that into our plan and we will
19 accomplish that.

20 COMMISSIONER SQUIRES: Actually, for me I feel
21 that we're not here really to micromanage your
22 company, to tell you how to run your company.

1 Your jurisdiction -- our jurisdiction is to make
2 sure that your company runs well; that your users
3 are happy; and if they're not happy, as you
4 indicated, Miss Hightman, they can walk.

5 And so I -- you won't have any problems
6 with me. I'm just hoping that this plan that
7 you've worked out works well and go for it.

8 CHAIRMAN WRIGHT: Thank you, Commissioner
9 Squires.

10 A couple questions. Can you compare the
11 number of layoffs, entire layoffs, that you have
12 for Illinois and compare it to the other states
13 in the former Ameritech region? How do we stack
14 up in the mix of the employees that is being laid
15 off? How does that Illinois compare to other
16 states in the Ameritech region?

17 MR. WALKOVIK: I'm going to give you certain
18 general numbers, but to answer your question
19 specifically, we'll have to provide a minor --
20 these are from memory -- you take it in the
21 context -- we are going to -- I think the overall
22 number from a Midwest perspective is about 2800,

1 and that includes management. And we're going to
2 ultimately have to lay off about 600 employees
3 here. The 740 was our starting point, if you
4 will.

5 So really if you're going to try to
6 calculate a percentage of it, the 2800 you need
7 to take the 740. We got to the 600 number by
8 attrition and people just leaving the business
9 for other reasons and a sip offering (phonetic),
10 which is a term in our contract where it allows
11 people to leave without raising their hand.

12 I don't have the specific state
13 information, but we could --

14 CHAIRMAN WRIGHT: I mean, generally and I
15 won't hold you to details since we don't have
16 them before you, apparently, but how does
17 Illinois compare to Michigan or Illinois to Ohio
18 or Illinois to Indiana or Illinois to Wisconsin?
19 Where are we on that?

20 MR. WALKOVIK: Without really going and
21 getting the detailed numbers -- and we can
22 provide it to you, I have no problem -- I just

1 don't know that the numbers that I have in front
2 of me, I'd want to give you and be able to stand
3 by them. I'd want to be able to validate and
4 verify them.

5 I really did not think about it or come
6 into -- I guess, be in a position to discuss how
7 many we had in here versus another place. I was
8 really trying to focus on -- try to leave you
9 with a feeling of assurance from the standpoint
10 of the way we went about determining how many we
11 were going to go downsize here.

12 I will say that when you look at the
13 amount of money that we have spent in the last
14 two years on outside plant rehabilitation and
15 others, there was a disproportionate share spent
16 here. I would intuitively think that there's
17 numbers that would -- be higher here. I just
18 don't know that for sure.

19 And if it's -- I would like to provide
20 it to you. I would have no problem doing that.
21 I just --

22 MS. HIGHTMAN: We'll provide them.

1 CHAIRMAN WRIGHT: Well, a lot has already been
2 covered, so I won't dwell. I was kind of curious
3 on how Illinois stacks up to the rest. And as
4 Commissioner Squires said, it's probably not our
5 prerogative to second-guess corporate management
6 and the mix of people that you lay off.

7 But I guess the impression that you're
8 trying to leave, and I'll get to my point here
9 rather quickly, is that not your best guess, but
10 the decisions that you've made in terms of who
11 you're laying off and how that is configured
12 within the organization is not going to result in
13 service degradation, deterioration, not in the
14 next couple months; but as the wise Commissioner
15 Kretschmer has said, in the next 18 months, 24
16 months.

17 And I don't want -- one, that this
18 Commission, as you well know, will keep
19 monitoring this and will hold your feet to the
20 fire -- but I certainly don't want to hear that
21 if there is some kind of service degradation,
22 it's because of other docketed issues that may

1 come before this Commission that may or may not
2 get decided the way the Company wants.

3 You've made determinations about the
4 size of your company and what effect here -- the
5 employees in Illinois. We're going to hold you
6 to your good reputations that the decisions that
7 you've made will not result in service
8 deterioration or degradation in the foreseeable
9 future.

10 And that's all I'm going to say on that
11 matter.

12 Other comments by the Commissioners?

13 COMMISSIONER KRETSCHMER: May I?

14 CHAIRMAN WRIGHT: Of course. Commissioner
15 Kretschmer?

16 COMMISSIONER KRETSCHMER: Mr. Walkoviak, over
17 the last 20 years I've said many times that I
18 don't have the training or the ability to manage
19 and operate a company but that's fine because the
20 Governor didn't appoint me -- Governor Thompson
21 didn't appoint me to come and manage your
22 company.

1 However, as has been said previously, we
2 do have the charge of evaluating your management.
3 So I don't fault you for your advertisement and I
4 think I kind of like the one where the three men
5 are sloshing through the mud, no women are there,
6 we're not that stupid.

7 So I thought that was a good commercial;
8 but I think on a serious note that your
9 management is the question here and this
10 Commission will be watching that over the next
11 two years, three years and I will hope and
12 believe at this point that you'll keep your word
13 that service will not -- so I wish you luck in
14 that since I'm one of your customers.

15 CHAIRMAN WRIGHT: Commissioner Harvill?

16 COMMISSIONER HARVILL: I would not like to be
17 antagonistic but to follow up on something
18 Miss Hightman said. You indicated that all
19 sectors of the economy, state government, local
20 government, federal government to a certain
21 extent, various companies are all facing the same
22 pressures because of the economy. The difference

1 between those organizations and SBC is the fact
2 that they don't blame the regulator for their
3 problem.

4 And you talk about personal offenses I
5 think I take personal offense at statements being
6 made that the justification for these layoffs is
7 because of the policies and the actions of the
8 regulatory authorities.

9 When the 11,000 jobs were announced that
10 they were being eliminated, your chairman spent
11 an entire press release pointing the blame -- I
12 think the subheadline was the weak economy and
13 outvoted regulation, but the entire press release
14 focused on unbundled network elements and how
15 states were pricing those inappropriately.

16 So when you get into situations where
17 you're laying employees off, I think the company
18 needs to take some responsibility for that and
19 not put all the blame on the regulators.

20 That's what I take personal offense to,
21 to clarify the record. That's all I have to say.

22 CHAIRMAN WRIGHT: Any other questions or

1 comments from the Commissioners?

2 (No response.)

3 Again, we thank SBC from the two months
4 we started this, you have been attentive. We
5 appreciate that and you'll be hearing from us in
6 the future as well.

7 If there's no further business to come
8 before the Commission, the Commission meeting is
9 now adjourned. Thank you.

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